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DOCKET NO. 51128

APPLICATION OF HARRISON
WILLIAMS AND MANVEL TERRACE
UTILITIES, INC. FOR WATER
UTILITY STOCK TRANSFER

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PUBLIC UTILITY COMMISSION
OF TEXAS

**COMMISSION STAFF'S SUPPLEMENTAL RECOMMENDATION ON
ADMINISTRATIVE COMPLETENESS, PROCEDURAL SCHEDULE, AND FINAL
DISPOSITION**

COMES NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and in response to Order No. 2, files this Supplemental Recommendation on Administrative Completeness, Procedural Schedule, and Final Disposition. Staff recommends that the application be deemed administratively complete and approved. In support thereof, Staff shows the following:

I. BACKGROUND

On July 31, 2020, Harrison Williams (Williams) and Manvel Terrace Utilities, Inc. (Manvel) (collectively, Applicants) filed a request for approval of a water utility stock transfer pursuant to Texas Water Code (TWC) § 13.302 and 16 Texas Administrative Code (TAC) § 24.243. Under the transaction, Jennifer Jamison would sell 100% of her stock and ownership interest in Manvel to Williams.

On August 26, 2020, the administrative law judge (ALJ) filed Order No. 2, requiring Staff to file a supplemental recommendation on the administrative completeness of the application and to propose a procedural schedule by October 20, 2020. Therefore, this pleading is timely filed.

II. ADMINISTRATIVE COMPLETENESS

Staff has reviewed the application and supplemental documentation filed on October 5, 2020 and, as supported by the attached memorandum from Leila Guerrero, Rate Regulation Division, recommends that it be found administratively complete. Staff further recommends that Applicants' request for approval be granted in full. Staff recommends that a hearing is not required, and that administrative disposition is appropriate.

III. PROCEDURAL SCHEDULE

Staff recommends the following procedural schedule for further processing of this docket:

Event	Date
Deadline for parties to file a response to Staff's recommendation, or for parties to file a joint proposed notice of approval	45 days after the application is administratively complete
Expiration of 60-day deadline for Commission to request a hearing, pursuant to TWC § 13.302(e)	60 days after the application is administratively complete

IV. CONCLUSION

For the reasons stated above, Staff respectfully recommends that the application be deemed administratively complete, that the proposed procedural schedule above be adopted, and that Applicants' application be approved. Staff respectfully requests that an order be issued consistent with the foregoing recommendation.

Dated: October 20, 2020

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

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/s/ Justin C. Adkins
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CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on October 20, 2020, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Justin C. Adkins
Justin C. Adkins

Public Utility Commission of Texas

Memorandum

TO: Justin Adkins, Attorney
Legal Division

FROM: Leila Guerrero, Regulatory Accountant/Auditor
Rate Regulation Division

DATE: October 20, 2020

RE: **Docket No. 51128** – *Application of Harrison Williams and Manvel Terrace Utilities, Inc. For Water Utility Stock Transfer*

On July 31, 2020, Harrison Williams (Williams) and Manvel Terrace Utilities, Inc. (Manvel) (collectively, Applicants) filed a request for approval to transfer of 100% of the stock and ownership interest in Manvel from Jennifer Jamison to Williams. Upon approval of the application, Williams will assume control of operations under Manvel's water Certificate of Convenience and Necessity (CCN) No. 12080.

Based on my review of the application and the additional financial information provided,¹ I recommend that Williams has demonstrated adequate financial, managerial, and technical capability to provide continuous and adequate service to the area subject to this application. This conclusion is based on information provided by Williams prior to this date and does not reflect any changes in his financial status after this review.

I applied the standard set forth in 16 Texas Administrative Code (TAC) § 24.243(b) which states:

A person acquiring a controlling interest in a utility is required to demonstrate adequate financial, managerial, and technical capability for providing continuous and adequate service to the requested area and to the person's certificated service area, if any.

I also applied the standards set forth in 16 TAC §§ 24.11(e)(1), (e)(2)(A) and (e)(3) which state in part:

- (1) An owner or operator may demonstrate financial assurance by satisfying the leverage and operations tests that conform to the requirements of this

¹ Supplemental Information Regarding Case (Oct. 5, 2020).

section, unless the commission finds good cause exists to require only one of these tests.

- (2) Leverage test. To satisfy this test, the owner or operator must meet one or more of the following criteria:
 - (A) The owner or operator must have a debt to equity ratio of less than one, using long term debt and equity or net assets;
- (3) Operations test. The owner or operator must demonstrate sufficient cash is available to cover any projected operations and maintenance shortages in the first five years of operations. An affiliated interest may provide a written guarantee of coverage of temporary cash shortages. The affiliated interest of the owner or operator must satisfy the leverage test.

Williams owns and operates SP Utility Company, Inc. (SP Utility) which holds CCN No. 12978. I reviewed the annual financial reports for SP Utility for 2019² and 2018.³ The income statement reported net income of \$20,783⁴ and \$15,765⁵ for 2019 and 2018, respectively. The balance sheet for the year ended December 31, 2019 reported long-term debt of \$93,500⁶ and equity of \$604,800⁷ resulting in a debt to equity ratio of 0.15. Therefore, Williams meets the leverage test specified in 16 TAC § 24.11(e)(2)(A).

No operating shortages are expected in the future based on the historical profits of SP Utility. Therefore, Williams meets the operations test required by 16 TAC § 24.11(e)(3).

I recommend that the Commission find that the change of ownership requested in this application is in the public interest and that the Commission approve the transaction.

² 2019 Annual Reports of Water and Wastewater Utilities, Project No. 50316, 2019 Annual Report (Apr 20, 2020).

³ 2018 Annual Reports of Water and Wastewater Utilities, Project No. 48918, 2018 Annual Report, (Apr 20, 2020).

⁴ 2019 Annual Report at 3.

⁵ 2018 Annual Report at 3.

⁶ 2019 Annual Report at 2.

⁷ *Id*